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LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Basic Financial Statements
and Independent Auditors' Reports
As of and for the Year Ended June 30, 2002
With Supplemental Information

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/11/02

LAKE BORGNE BASIN LEVEE DISTRICT
P. O. BOX 216
VIOLET, LOUISIANA 70092
(504) 682-5941

GOVERNING BOARD

George E. Lopez, President
Lloyd J. Seube - Vice President
Randolph Odinet, Jr.

Robert A. Turner, Jr. P.E., Executive Director

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

**Board of Levee Commissioners of the
Lake Borgne Basin Levee District
State of Louisiana
Violet, Louisiana**

We have audited the accompanying basic financial statements of the **LAKE BORGNE BASIN LEVEE DISTRICT**, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, as listed in the Table of Contents. These basic financial statements are the responsibility of Lake Borgne Basin Levee District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*. Those standards and the guide require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Lake Borgne Basin Levee District, as of June 30, 2002, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Lake Borgne Basin Levee District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001. This results in a change in the format and content of the basic financial statements.

The accompanying Management's Discussion and Analysis, as listed in the Table of Contents, is required supplementary information and therefore, is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We did not audit and do not express an opinion on such information. However, we have applied certain limited procedures prescribed by professional standards which resulted in the discovery of material errors in the financial statements and that raised doubts that we were unable to resolve regarding whether material modifications should be made to the information for it to conform with guidelines established by the Governmental Accounting Standards Board.

The accompanying Budgetary Comparison Schedule, as listed in the Table of Contents, is required supplementary information and therefore, is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We have also issued our report dated July 31, 2002 on our consideration of the Louisiana Lake Borgne Basin Levee District's annual financial report to the Louisiana Division of Administration as of and for the year ended June 30, 2002, which is listed in the Table of contents as Other Supplementary Information.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2002, on our consideration of the Lake Borgne Basin Levee District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

Leroy J. Chustz
Certified Public Accountant, APAC

Beverly A. Ryall
Certified Public Accountant

July 31, 2002

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2002**

The Management's Discussion and Analysis of the Lake Borgne Basin Levee District's (BTA) financial performance presents a narrative overview and analysis of Lake Borgne Basin Levee District's (BTA) financial activities for the year ended June 30, 2002. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the transmittal financial statements.

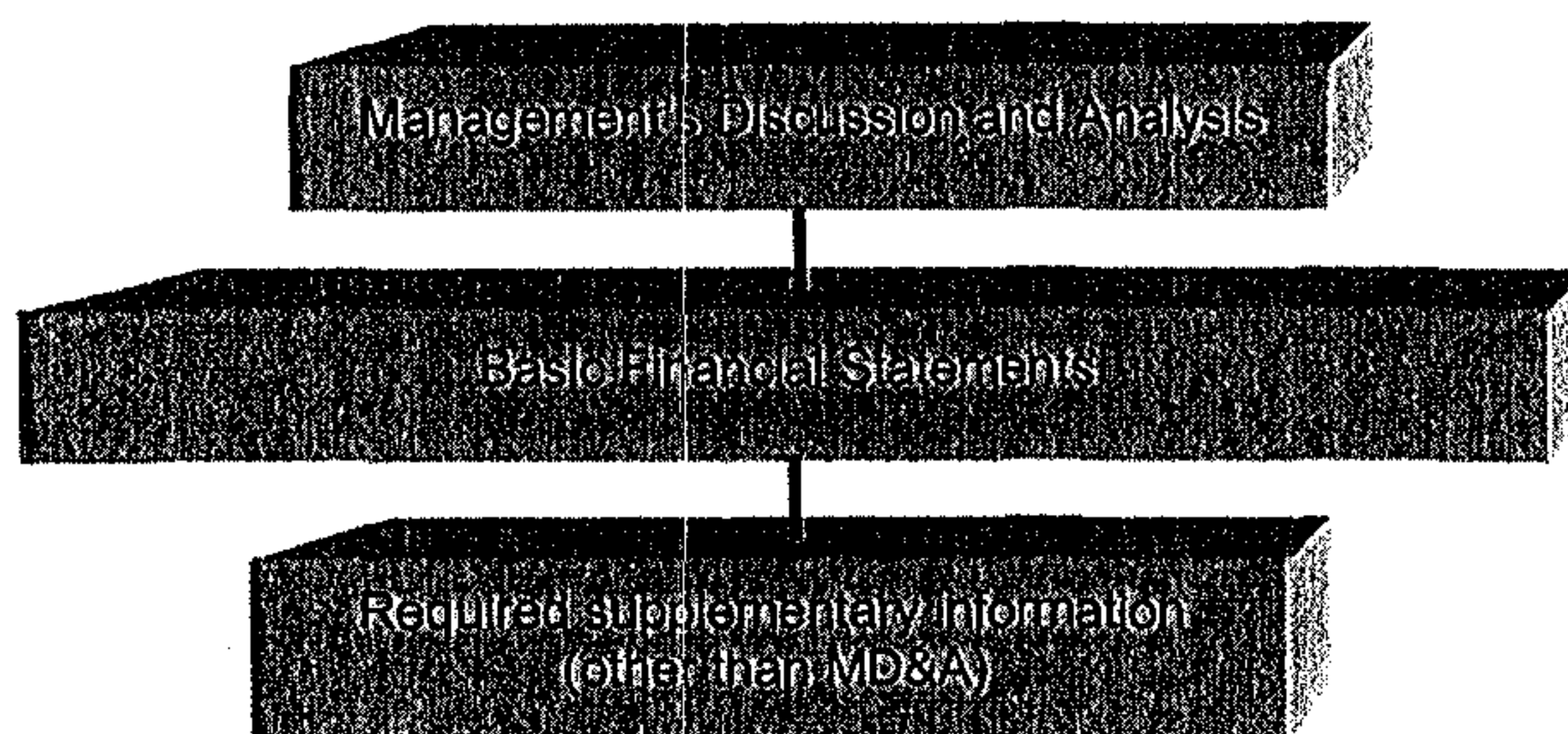
FINANCIAL HIGHLIGHTS

- ★ The Lake Borgne Basin Levee District's (BTA) assets exceeded its liabilities at the close of fiscal year 2002 by \$17,474,834. The net assets decreased by \$16,016,236 (or 48%). Most of the decrease can be attributed to new GASB 34 rules and requirements implemented for fiscal year ending June 30, 2002.
- ★
- ★ The Lake Borgne Basin Levee District's (BTA) revenue decreased \$242,926 (or 6%) and the net results from activities decreased by \$557,337. GASB 34 rules require current year depreciation to be expensed. Prior year net results from activities do not include any depreciation. Depreciation expense for this fiscal year amounts to \$744,647.

★
★
★
★

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2002

Basic Financial Statements

The basic financial statements present information for the Lake Borgne Basin Levee District (BTA) as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Lake Borgne Basin Levee District (BTA) is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how Lake Borgne Basin Levee District's (BTA) assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement presents information showing how Lake Borgne Basin Levee District's (BTA) cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income(loss) to net cash provided(used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets as of June 30, 2002 (in thousands)			
	Total		
	2002	2001	
Current and other assets	\$ 4,132	\$ 3,319	
Capital assets	17,622	29,485	
Total assets	21,754	32,804	
Other liabilities	749	733	
Long-term debt outstanding	3,650	4,030	
Total liabilities	4,299	4,763	
Net assets			
Invested in capital assets, net of debt	13,502	25,000	
Restricted	1,122	1,160	
Unrestricted	2,851	7,331	
Total net assets	\$ 17,475	\$ 33,491	

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, grant requirements, or nature of the asset. Conversely, unrestricted net assets are those that do not have any limitations on what these amounts may be used for.

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2002**

Net assets of Lake Borgne Basin Levee District's (BTA) decreased by \$16,016,236, or 48%, from June 30, 2001 to June 30, 2002. One of the major causes of this decrease is the inclusion of infrastructure assets. This class of asset, which includes roads, bridges, and levees, was not included in general fixed assets of Lake Borgne Basin Levee District (BTA) under the basis of accounting prior to adoption of GASB Statement 34.

Statement of Revenues, Expenses, and Changes in Fund Net Assets for the years ended June 30, 2002 (in thousands)			
	Total		
	2002	2001	
Operating revenues	\$ 0	\$ 3975	
Operating expenses	4055	3968	
Operating income (loss)	4055	7	
Non-operating revenues (expenses)	3604		
Income (loss) before transfers	551	7	
Transfers in	0		
Transfers out	0		
Net increase (decrease) in net assets	\$ 551	\$ 7	

The Lake Borgne Basin Levee District's (BTA) total revenues decreased by \$ 242,926 or (6%). The total cost of all programs and services increased by \$86,501 or 2%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2002, the Lake Borgne Basin Levee District (BTA) had \$17,611,755 invested in a broad range of capital assets, including land, equipment and infrastructure. (See Table below).

This amount represents a net decrease (including additions and deductions) of \$645,305, or 4%.

Current year depreciation totaled \$744,647.

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2002**

**Capital Assets at Year-end
(Net of Depreciation, in thousands as restated per GASB 34)**

	<u>2002</u>	<u>2001</u>
Land	\$ 256,954	\$ 256,954
Buildings and Improvements		
Equipment	414,470	461,742
Infrastructure	<u>16,940,331</u>	<u>17,538,364</u>
Totals \$	<u>17,611,755</u>	<u>18,257,060</u>

This year's major additions included (in thousands):

- Work in progress on new addition to administration building. Cost for the year totaled \$99,344.
-
-

Debt

The Lake Borgne Basin Levee District (BTA) had \$4,030 thousand in bonds and notes outstanding at year-end, compared to \$4,485 thousand last year, a decrease of 10 % as shown in the table below.

**Outstanding Debt at Year-end
(in thousands)**

	<u>2002</u>	<u>2001</u>
General Obligation Bonds	\$ 4,030	\$ 4,485
Revenue Bonds and Notes		
Totals \$	<u>4,030</u>	<u>4,485</u>

No new debt for current year.

The Lake Borgne Basin Levee District's (BTA) bond rating continues to carry the Baa1 rating for general obligation bonds.

The Lake Borgne Basin Levee District (BTA) has not expensed any amounts for outstanding judgments for current or prior year. Legal counsel issued no opinion on outstanding lawsuits. The District is protected with insurance to cover normal lawsuits and judgments. Other obligations include current payables totaling \$80,099. Accrued vacation pay totaled \$99,553, and was classified as a long term liability

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2002**

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Revenues were approximately \$682,000 under budget and expenditures were \$839,000 less than budget. \$785,000 in grants budgeted for infrastructure was not received. Projects income and expenses were moved to future years.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Lake Borgne Basin Levee District's (BTA) appointed officials considered the following factors and indicators when setting next year's budget. These factors and indicators include:

- Operation and maintenance expenses to keep the current flood protection infrastructure in acceptable condition.
- Build and improve canals, and pumping stations, and levees.
-

The Lake Borgne Basin Levee District (BTA) expects no major changes next year's results.

-
-
-

CONTACTING THE LAKE BORGNE BASIN LEVEE DISTRICT'S (BTA) MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Lake Borgne Basin Levee District's (BTA) finances and to show the Lake Borgne Basin Levee District's (BTA) accountability for the money it receives. If you have questions about this report or need additional financial information, contact Executive Director at 504-682-5941.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

LAKE BORGNE BASIN LEVEE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2002

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,894,104.02
Investments	1,200,000.00
Receivable - state	16,228.73
Inventory	42,170.22
Total Current Assets	<u>4,152,502.97</u>

Noncurrent Assets

Capital assets -	
Land	256,954.00
Machinery and equipment	1,220,903.00
Infrastructure	26,046,287.96
Construction in progress	109,389.07
Accumulated depreciation	(10,011,731.91)
Total noncurrent assets	<u>17,621,802.12</u>

TOTAL ASSETS	<u>\$ 21,774,305.09</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 2,185.79
Retainage payable	18,600.00
Accrued salaries payable	45,088.00
Payroll deductions and accruals	14,225.24
Accrued interest payable	89,818.75
Current-portion long-term debt	480,000.00
Total Current Liabilities	<u>649,917.78</u>

Noncurrent Liabilities

Bonds	3,550,000.00
Compensated absences	99,552.96
Total Noncurrent Liabilities	<u>3,649,552.96</u>

Total Liabilities	<u>4,299,470.74</u>
--------------------------	---------------------

Net Assets

Investment in capital assets	17,621,802.12
Restricted for capital projects	452,332.11
Unrestricted	(599,299.88)
Total Net Assets	<u>17,474,834.35</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,774,305.09</u>
---	--------------------------------

See accompanying notes to the basic financial statements.

LAKE BORGNE BASIN LEVEE DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2002

Functions\Programs	Expenses	Program Revenues Operating Grants	Net (Expense) Revenues & Changes in Net Assets
GOVERNMENT ACTIVITIES:			
Public Safety - Flood Protection:			
Administrative	\$ 509,446.29		\$ (509,446.29)
Levee maintenance	529,126.95		(529,126.95)
Pumping stations	1,332,799.08		(1,332,799.08)
Non-capitalized improvements	364,598.60	364,689.95	91.35
Police	31,156.97		(31,156.97)
Interest on long-term debt	227,906.87		(227,906.87)
Depreciation expense	744,647.24		(744,647.24)
Total Expenses	\$ 3,739,682.00	\$ 364,689.95	(3,374,992.05)
GENERAL REVENUES:			
Taxes -			
Ad valorem, net			2,824,567.75
Intergovernmental			306,787.10
Investment income			101,224.37
Miscellaneous			46,548.35
Total General Revenues			3,279,127.57
Increase in Net Assets			(95,864.48)
NET ASSETS AT JUNE 30, 2001			17,570,698.83
NET ASSETS AT JUNE 30, 2002			\$ 17,474,834.35

See accompanying notes to the basic financial statements.

LAKE BORGNE BASIN LEVEE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2002

	General Fund	Capital Projects	Debt Service	Total
ASSETS				
Cash and cash equivalents	\$ 1,815,268.84	\$ 452,332.11	\$ 626,503.07	\$ 2,894,104.02
Investments	1,200,000.00			1,200,000.00
Receivable - state	16,228.73			16,228.73
Inventory	42,170.22			42,170.22
TOTAL ASSETS	\$ 3,073,667.79	\$ 452,332.11	\$ 626,503.07	\$ 4,152,502.97
LIABILITIES AND FUND EQUITY				
<i>Liabilities:</i>				
Accounts payable	\$ 2,185.79			\$ 2,185.79
Retainage payable	18,600.00			18,600.00
Accrued salaries payable	45,088.00			45,088.00
Payroll deductions and accruals	14,225.24			14,225.24
Total Liabilities	80,099.03			80,099.03
<i>Fund Equity:</i>				
Fund balances -				
Unreserved - undesignated	2,993,568.76	452,332.11	626,503.07	4,072,403.94
Total Fund Equity	2,993,568.76	452,332.11	626,503.07	4,072,403.94
TOTAL LIABILITIES AND FUND EQUITY	\$ 3,073,667.79	\$ 452,332.11	\$ 626,503.07	\$ 4,152,502.97

See accompanying notes to the basis financial statements.

**LAKE BORGNE BASIN LEVEE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2002**

***Reconciliation of total Government Fund Balance to Net
Assets of Government Activities:***

Total Government Fund Equity	\$ 4,072,403.94
Amounts Reported for Government Activities in the Statement of Net Assets are Different Because:	
Capital Assets used in Governmental Activities are not Financial Resources and therefore are not Reported in the Funds (Net of Accumulated Depreciation of \$10,011,731.91)	17,621,802.12
Long-Term Liabilities, including bonds payable and related accrued interest and compensated absences, are not Due and Payable in the Current Period and therefore are not Reported in the Funds	<u>(4,219,371.71)</u>
<i>Net Assets of Governmental Activities</i>	<u>\$ 17,474,834.35</u>

See accompanying notes to the basis financial statements.

LAKE BORGNE BASIN LEVEE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2002

	General Fund	Capital Projects	Debt Service	Total
Revenues:				
Taxes	\$ 2,222,675.51		\$ 601,892.24	\$ 2,824,567.75
Intergovernmental	272,032.30	\$ 364,689.95	34,754.80	671,477.05
Interest earnings	82,200.16	10,823.53	8,200.68	101,224.37
Other	33,153.35			33,153.35
Sales of surplus property	13,395.00			13,395.00
Total Revenues	<u>2,623,456.32</u>	<u>375,513.48</u>	<u>644,847.72</u>	<u>3,643,817.52</u>
Expenditures:				
Current -				
Administrative	516,629.34		1,822.00	518,451.34
Levee maintenance	529,126.95			529,126.95
Pumping stations	1,332,799.08			1,332,799.08
Police	31,156.97			31,156.97
Debt service			691,722.50	691,722.50
Capital outlays	109,389.07	364,598.60		473,987.67
Total Expenditures	<u>2,519,101.41</u>	<u>364,598.60</u>	<u>693,544.50</u>	<u>3,577,244.51</u>
<i>Excess of Revenues (Expenditures)</i>	104,354.91	10,914.88	(48,696.78)	66,573.01
FUND BALANCE - JUNE 30, 2001	<u>2,889,213.85</u>	<u>441,417.23</u>	<u>675,199.85</u>	<u>4,005,830.93</u>
FUND BALANCE - JUNE 30, 2002	<u>\$ 2,993,568.76</u>	<u>\$ 452,332.11</u>	<u>\$ 626,503.07</u>	<u>\$ 4,072,403.94</u>

See accompanying notes to the basic financial statements.

LAKE BORGNE BASIN LEVEE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2002

***Reconciliation of the change in Fund Equity -
Governmental Fund to the change in Net Assets
of Governmental Activities:***

Net Change in Fund Equity Governmental Fund	\$ 66,573.01
Amounts Reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures while Governmental Activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	109,389.07
Depreciation expense	(744,647.24)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	455,000.00
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due	8,815.63
Some expenses reported in the Statement of Activities, such as compensated absences, do not require use of current financial resources and therefore are not reported as expenditures in governmental funds	<u>9,005.05</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$ (95,864.48)</u></u>

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. INTRODUCTION

The Lake Borgne Basin Levee District was created by Louisiana Revised Statute (R.S.) 38:291(G). The Lake Borgne Basin Levee District is comprised of all the territory contained within the parish of St. Bernard. The levee district primarily provides flood protection for those areas contained in the district. The levee district is responsible for 60 miles of levees, 8 pumping stations, and 53 miles of drainage canals. The governing board administers the operations and responsibilities of the levee district in accordance with the provisions of Louisiana statutes. The Board of Commissioners of the Lake Borgne Basin Levee District consists of three members appointed by the governor.

The Commission's office is located in Violet, Louisiana, and employs 39 full-time and 7 part-time employees.

The accounting and reporting framework and the more significant accounting principles and practices of the Lake Borgne Basin Levee District are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Lake Borgne Basin Levee District's financial activities for the fiscal year ended June 30, 2002. The Lake Borgne Basin Levee District implemented new reporting model standards beginning July 1, 2001. Comparability with reports of all prior years will be affected. Also see Note 2.B.

1.B. FINANCIAL REPORTING ENTITY

GASB Statement No. 14, "The Financial Reporting Entity," has defined the governmental reporting entity to be the State of Louisiana. The Lake Borgne Basin Levee District is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the board members, and public service is rendered within the state's boundaries. The accompanying basic financial statements present information only as to the transactions of the Lake Borgne Basin Levee District, a component unit of the State of Louisiana.

Annually the State of Louisiana issues a basic financial statement which includes the activity contained in the accompanying financial statement. The basic financial statement is issued by the Louisiana Division of Administration-Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.

1.C. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the Lake Borgne Basin Levee District. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the Lake Borgne Basin Levee District are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses.

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Lake Borgne Basin Levee District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the Lake Borgne Basin Levee District are described below:

Governmental Fund

General Fund

The General Fund is the primary operating fund of the Lake Borgne Basin Levee District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Debt Service Fund

The Series 1989 Debt Service Fund accumulates ad valorem tax revenues for finance debt service payments of the February 1, 1989, General Obligation Bond issue and the subsequent August 1, 1993, General Obligation Refunding Bond Issue.

Capital Projects Fund

The Bond Referendum Capital Projects Fund accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

1.D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

1.B. ASSETS, LIABILITIES, NET ASSETS, AND FUND EQUITY

Cash and Cash Equivalents, and Investments

For the purpose of the Statement of Net Assets, cash and cash equivalents includes all demand, savings accounts, and certificates of deposits with an original maturity of 90 days or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

Additional cash and investment disclosures are presented in Notes 2.C. and 3.A.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as ad valorem taxes, grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Capital Assets and Depreciation

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets purchased or acquired with an original cost of acquisition value of \$5,000 or more are recorded at historical cost, or estimated historical cost if actual is unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Infrastructure

Prior to July 1, 2001, the infrastructure assets of governmental funds were not capitalized. The infrastructure assets are composed of eight pumping stations that are valued at historical cost.

The Lake Borgne Basin Levee District has both Mississippi River and Tributaries (MR&T) and Hurricane Protection Levees. These levees provide flood protection for most of the land areas contained within the District.

The Division of Administration, State of Louisiana, in a letter dated June 11, 2002, has advised that the Lake Borgne Basin Levee District does not provide major and significant improvements or maintenance to the levees that would constitute ownership under Governmental Accounting Standards Board (GASB 34) requirements. Based on guidance from the Division of Administration, the Lake Borgne Basin Levee District is required to report only a separate note disclosure of the MR&T and Hurricane Protection Levees in the financial statement. The Lake Borgne Basin Levee District mows grass and does minor repairs with its own workforce. Major repairs are normally made by the U.S. Corps of Engineers.

Depreciation

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- | | |
|------------------|------------|
| - Equipment | 5-10 years |
| - Infrastructure | 40 years |

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Compensated Absences

Employees of the Lake Borgne Basin Levee District earn and accumulate vacation and sick leave at varying rates, depending upon their years of service. The amount of vacation and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused vacation leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused vacation leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Investment in Capital Assets – Consists of capital assets included restricted capital assets, net of accumulated depreciation.
- b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Article 6, Section 39 of the Louisiana Constitution of 1974 provides that for the purpose of constructing and maintaining levees, levee drainage, flood protection, hurricane flood protection, and all other purposes incidental thereto, the levee district may levy annually a tax not to exceed five mills. If the levee district needs to raise additional funds in excess of the amount collected constitutionally, the taxes in excess of five mills must be approved by a majority vote of the electors.

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes were levied by the District in November and billed to the taxpayers in December. Billed taxes become delinquent on January 1, of the following year.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 2. - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a state agency, the Lake Borgne Basin Levee District is subject to various state laws and regulations. An analysis of the Lake Borgne Basin Levee District's compliance with significant laws and regulations and demonstration of its stewardship over Lake Borgne Basin Levee District resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

The Lake Borgne Basin Levee District complies with all state laws and regulations requiring the use of separate funds. The legally required funds used by the Lake Borgne Basin Levee District include the following:

Fund	Required By
Series 1989 Debt Service Fund	Bond Indenture
Bond Referendum Capital Projects Fund	Bond Indenture

2.B. RESTATEMENTS

The Lake Borgne Basin Levee District implemented new reporting model standards in fiscal year 2002. As a result, beginning balances in the governmental fund financial statements are restated with a net change of \$13,564,868 as follows. Also see Note 1.A.

Fund Balance as of June 30, 2001	\$ 4,005,831
Fixed assets (net) as of June 30, 2001	18,257,060
Compensated absences as of June 30, 2001	(108,558)
Bonds outstanding as of June 30, 2001	(4,485,000)
Accrued interest payable on bonds as of June 30, 2001	(98,634)
Fund Balance Restated as Net Assets as of June 30, 2001	<u>\$ 17,570,699</u>

2.C. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of the Lake Borgne Basin Levee District in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Louisiana or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Lake Borgne Basin Levee District must have a written collateral agreement approved by the Lake Borgne Basin Levee District of directors or loan committee. As reflected in Note 3.A., all deposits were fully insured or collateralized.

Investments are limited by R.S. 33:2955 and the Lake Borgne Basin Levee District's investment policy.

NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

3.A. CASH AND INVESTMENTS

Deposits

The Lake Borgne Basin Levee District's policies regarding deposits of cash are discussed in Note 1.E. The table presented below is designed to disclose the level of custody credit risk assumed by the Lake Borgne Basin Levee District based upon how its deposits were insured or secured with collateral at June 30, 2002. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the Lake Borgne Basin Levee District or by its agent in its name

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Lake Borgne Basin Levee District's name

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Lake Borgne Basin Levee District's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Category			Total Carrying Value
		1	2	3	
Demand deposits	\$ 2,962,760	\$ 200,000		\$ 5,732,249	\$ 2,892,074
Certificate of deposit	1,200,000			1,200,000	1,200,000
Total Deposits	<u>\$ 4,162,760</u>	<u>\$ 200,000</u>	<u>\$ 0</u>	<u>\$ 6,932,249</u>	<u>\$ 4,092,074</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Lake Borgne Basin Levee District that the fiscal agent has failed to pay deposited funds upon demand.

Reconciliation to Government-wide Statement of Net Assets:

Petty cash	\$ 30
Restricted - debt service	626,503
Restricted - capital outlay	452,332
Unrestricted cash	3,013,239
	<u>\$ 4,092,104</u>

The certificate of deposit in the amount of \$1,200,000 is classified as an investment for reporting in the financial statements.

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

3.B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2002, was as follows:

	Balance at June 30, 2001	Additions	Disposals	Balance at June 30, 2002
Government activities:				
Land	\$ 256,954			\$ 256,954
Furniture, fixtures, and equipment	1,303,561		\$ (82,658)	1,220,903
Infrastructure	26,046,288			26,046,288
Construction in progress	0	\$ 109,389		109,389
Total Capital Assets	27,606,803	109,389	(82,658)	27,633,534
Less accumulated depreciation	(9,349,742)	(744,647)	82,658	(10,011,732)
Governmental activities capital assets, net	<u>\$ 18,257,061</u>	<u>\$ (635,258)</u>	<u>\$ 0</u>	<u>\$ 17,621,802</u>

There are 13 miles of MR&T levees that lie within the jurisdiction of the Lake Borgne Basin Levee District. These levees were constructed and improved over the past 100 years by both original landowners and Federal and State Governments. The estimated cost of the 13 miles of MR&T levees as of June 30, 2002 is \$9,535,000. This estimate is based on information obtained from the New Orleans District of the U.S. Army Corps of Engineers.

The Lake Borgne Basin Levee District mows the grass and does minor repairs to 26 miles of Hurricane Protection Levees. These levees were built and improved during the past 35 years. Hurricane Protection Levees provide protection from coastal high tides and storm surges associated with tropical weather systems. The majority of funding for construction was provided by the U.S. Government. The estimated project cost as of June 30, 2002, obtained from the New Orleans District of the U.S. Corps of Engineers, is \$60,312,000.

With the adjournment of both MR&T and Hurricane Protection Levees, a circle of flood protection is provided for the residents and property of Southeast Louisiana.

3.C. LONG-TERM DEBT

Governmental Activities

As of June 30, 2002, the governmental long-term debt of the Lake Borgne Basin Levee District consists of the following:

Bonds payable	\$ 4,030,000
Accrued Compensated Absences:	
Current portion	0
Noncurrent portion	99,553
Total Governmental activity debt	<u>\$ 4,129,553</u>

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2002:

Type of Debt	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002	Amounts Due within One Year
Governmental Activities:					
Bonds payable	\$ 4,485,000		\$ 455,000	\$ 4,030,000	\$ 480,000
Accrued Compensated Absences	108,558	\$ 53,309	62,314	99,553	0
Total General Long- Term Debt	<u>\$ 4,593,558</u>	<u>\$ 53,309</u>	<u>\$ 517,314</u>	<u>\$ 4,129,553</u>	<u>\$ 480,000</u>

Bonds payable is composed of a general obligation refunding bond issue dated August 1, 1993, for \$5,820,000. It was issued for the purpose of advance refunding \$4,930,000 of outstanding General Obligation Bonds, Series 1989. These refunding bonds bear interest rates of 4.05% to 5.55% and are due in annual installments of \$85,000 to \$680,000 through February 1, 2009. The bonds are secured by and payable from a 5.10 mill ad valorem tax levy.

The annual requirements to amortize the outstanding bond issues at June 30, 2002, including interest of \$930,953 are as follows:

Fiscal Year Ending June 30,	General Obligation Refunding Bonds
2003	\$ 695,565
2004	702,285
2005	706,530
2006	708,180
2007	712,115
2008	718,537
2009	717,740
	<u>\$ 4,960,952</u>

NOTE 4. - OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Pension Plan

Substantially all of the employees of the Borgne Basin Levee District are members of the Louisiana State Employees Retirement System ("System"), a multiple-employer, defined benefit public employee retirement system (PERS) controlled and administered by a separate board of trustees.

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

All full time employees are eligible to participate in the System. Benefits vest with ten years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 month average salary multiplied by their years of credited service.

Vested employees may retire at [a] any age with thirty years of service, [b] age 55 with twenty-five years of service, and [c] at age sixty with ten years of service. In addition, vested employees have the option of reduced benefits at any age with twenty years of service. The System also provides death and disability benefits. Benefits are established by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employees' Retirement System; P. O. Box 44213; Baton Rouge, LA 70804 or by calling (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the Lake Borgne Basin Levee District is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal years ended June 30, 2002 and 2001, increased to 13% of annual covered payroll from the 12.4% required in fiscal year ended June 30, 2000. The District's contributions to the System during the fiscal years ended June 30, 2002, 2001, and 2000, were \$136,079, \$131,503, and \$142,318, respectively, equal to the required contribution. Under present statutes, the Lake Borgne Basin Levee District does not guarantee any of the benefits granted by the system.

Postemployment Health Care and Life Insurance Benefits

The Lake Borgne Basin Levee District provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the Lake Borgne Basin Levee District's employees become eligible for these benefits if they reach normal retirement age while working for the Lake Borgne Basin Levee District. These benefits for retirees and similar benefits for active employees are provided through the State Employees Group Benefits Program whose monthly premiums are paid jointly by the employee and by the Lake Borgne Basin Levee District. The Lake Borgne Basin Levee District recognizes the cost of providing these benefits as an expenditure when paid during the year. For the year ended June 30, 2002, the cost of retiree benefits for seven retirees totaled \$15,893.

4.B. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the Lake Borgne Basin Levee District's management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

4.C. RISK MANAGEMENT

The Lake Borgne Basin Levee District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; employee health and life; and natural disasters. The Lake Borgne Basin Levee District manages these various risks of loss as follows:

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk Retained</u>
Torts, errors and omissions	Purchased insurance with Louisiana Office of Risk Management public entity risk pool	None
Injuries to employees (Workers' compensation)	Participates in Louisiana Office of Risk Management public entity risk pool	None
Physical property loss and natural disasters	Purchased insurance with Louisiana Office of Risk Management public entity risk pool	None
Health and life	Participates in Louisiana Office of Group Benefits Plan	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Lake Borgne Basin Levee District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Public Entity risk Pool

The Lake Borgne Basin Levee District participates in the Louisiana State Office of Risk Management (public entity risk pool), which is responsible for negotiating, compromising and settling all claims including all tort claims against the Lake Borgne Basin Levee District.

4.D. COMMITMENTS AND CONTINGENCIES

Contingencies

Litigation

The Lake Borgne Basin Levee District is a defendant in lawsuits involving personal injury and property expropriated. The District's legal counsel has reviewed all claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the District. The legal counsel is of the opinion that liability from suits is questionable or insurance coverage appears adequate and that no significant monetary liability is contemplated at this time or it is too early to render an opinion regarding suits. The liability amount, if any, cannot be reasonably estimated at this time.

4.E. COMPENSATION PAID TO BOARD MEMBERS

The schedule of per diem payments to Board Members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As authorized by Louisiana Revised Statute 38:308, each member of the Board shall be reimbursed when actually in attendance at a board meeting or when required to travel for the official authorized business of the board, and such reimbursement shall not exceed \$75.00 per meeting and not to exceed 36 meetings per year (\$2,700), plus actual expenses.

The Board President, Mr. George E. Lopez, is paid a bi-weekly salary of \$250 in lieu of per diem during his term in office, as authorized by R.S. 38:308.

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

<u>Board Member</u>	<u>Salary</u>	<u>Amount</u>
George E. Lopez, President	\$ 6,500	
Lloyd J. Seube		\$ 1,200
Randolph Odinet		1,125
Total	<u>\$ 6,500</u>	<u>\$ 2,325</u>

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules – General Fund

LAKE BORGNE BASIN LEVEE DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2002

	Budget Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes -				
Ad valorem	\$ 2,200,000.00	\$ 2,320,000.00	\$ 2,292,080.28	\$ (27,919.72)
Intergovernmental -				
State - Violet Canal dredging	0.00	86,500.00	143,787.09	57,287.09
State revenue sharing	163,000.00	133,000.00	128,245.21	(4,754.79)
Use of money and property -				
Interest earnings	180,000.00	105,000.00	82,200.16	(22,799.84)
Miscellaneous -				
Other	30,000.00	45,000.00	46,548.35	1,548.35
Total Revenues	2,573,000.00	2,689,500.00	2,692,861.09	3,361.09
Expenditures:				
Current -				
General and administrative	424,000.00	449,000.00	377,737.14	71,262.86
Professional services	16,750.00	19,750.00	21,751.19	(2,001.19)
Insurance	126,500.00	151,500.00	229,076.32	(77,576.32)
Levee maintenance	488,950.00	635,450.00	509,455.96	125,994.04
Pumping stations expense	1,416,800.00	1,416,800.00	1,243,077.78	173,722.22
Canal bank stabilization	300,000.00	150,000.00	28,613.95	121,386.05
Sheriff pension cost	0.00	70,000.00	69,404.77	595.23
Capital outlays	190,000.00	160,000.00	109,389.07	50,610.93
Total Expenditures	2,963,000.00	3,052,500.00	2,588,506.18	463,993.82
<i>Excess of Revenues (Expenditures)</i>	(390,000.00)	(363,000.00)	104,354.91	467,354.91
Fund Balance - June 30, 2001	4,008,000.00	2,889,214.00	2,889,213.85	(0.15)
FUND BALANCE - JUNE 30, 2002	\$ 3,618,000.00	\$ 2,526,214.00	\$ 2,993,568.76	\$ 467,354.76

OTHER REPORTS REQUIRED BY

GOVERNMENT AUDITING STANDARDS

The following pages contain a report on compliance with laws and regulations and on internal control over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material misstatements in internal control or compliance matters that would be material to the presented financial statements.

Leroy J. Chustz
Certified Public Accountant, CPA

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and

Beverly A. Ryall
Certified Public Accountant

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board Members of
Lake Borgne Basin Levee District
State of Louisiana
Violet, Louisiana

We have audited the basic financial statements of the LAKE BORGNE BASIN LEVEE DISTRICT, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, and have issued our report thereon dated July 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*.

Compliance

As part of obtaining reasonable assurance about whether the Lake Borgne Basin Levee District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards* and the *Louisiana Governmental Audit Guide*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lake Borgne Basin Levee District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material

in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Lake Borgne Basin Levee District and its management, the Louisiana Legislative Auditor, the State of Louisiana and is not intended to be, and should not be used by anyone other than these specified parties.

Leroy J. Chustz

Certified Public Accountant, APAC

Beverly A. Ryall

Certified Public Accountant

July 31, 2002

**LAKE BORGNE BASIN LEVEE DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2002**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Lake Borgne Basin Levee District.
2. No reportable conditions were disclosed during the audit of the basic financial statements.
3. No instances of noncompliance were disclosed during the audit of the basic financial statements.
4. There were no federal awards received by Lake Borgne Basin Levee District.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

NONE

**LAKE BORGNE BASIN LEVEE DISTRICT
RESOLUTION OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2002**

All prior year audit findings were resolved.

SUPPLEMENTAL INFORMATION REQUIRED BY
STATE OF LOUISIANA
DIVISION OF ADMINISTRATION
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY

The following pages contain a report on the Lake Borgne Basin Levee District's Annual Financial Report prepared in accordance with the requirements of the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy.

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Baton Rouge, LA 70817
225/752-5147
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**INDEPENDENT AUDITORS' REPORT ON
THE ANNUAL FINANCIAL REPORT TO THE
STATE OF LOUISIANA, DIVISION OF ADMINISTRATION
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY**

**Board Members of
Lake Borgne Basin Levee District
State of Louisiana
Violet, Louisiana**

Our report on the audit of the basic financial statements of the **LAKE BORGNE BASIN LEVEE DISTRICT** as of and for the year ended June 30, 2002, appears on Page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Annual Financial Report as of and for the year ended June 30, 2002, is presented for purposes of additional analysis and is not a required part of the basic financial statements. We did not audit and do not express an opinion on such information. However, we have applied certain limited procedures prescribed by professional standards which resulted in the discovery of material errors in the financial statements and that raised doubts that we were unable to resolve regarding whether material modifications should be made to the information for it to conform with guidelines established by the Governmental Accounting Standards Board.

Leroy J. Chustx
Certified Public Accountant, APAC

Beverly A. Pyall
Certified Public Accountant

July 31, 2002

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending June 30, 2002

Lake Borgne Basin Levee District
(Agency Name)

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, Louisiana 70804-9095

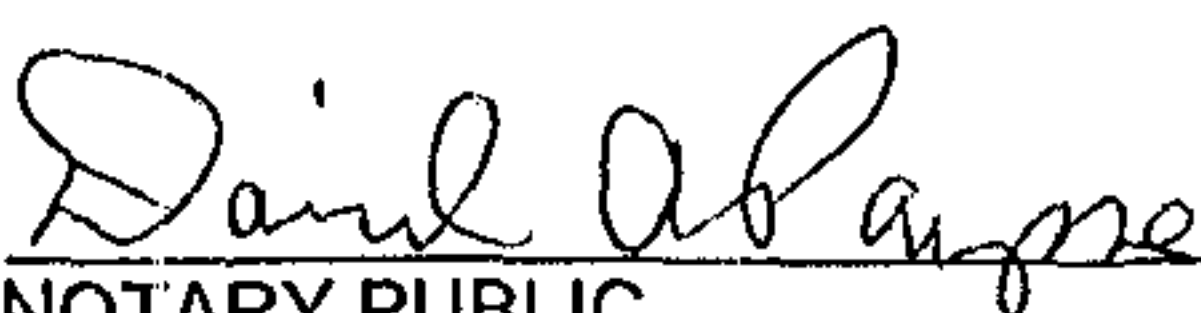
Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, Robert A. Turner, Jr. P.E. Executive Director of Lake Borgne Basin Levee District who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of Lake Borgne Basin Levee District at June 30, 2002 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before me, this 19th day of August, 2002.



Signature of Agency Official



NOTARY PUBLIC

Prepared by: Charles S. Doize, Jr.

Title: Accountant

Telephone No.: 504-279-5959

Date: August 15, 2002

Lake Borgne Basin Levee District
(Agency Name)
STATE OF LOUISIANA
Annual Financial Statements
June 30, 2002

C O N T E N T S

AFFIDAVIT

Statements

MD&A

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**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2002**

The Management's Discussion and Analysis of the Lake Borgne Basin Levee District's (BTA) financial performance presents a narrative overview and analysis of Lake Borgne Basin Levee District's (BTA) financial activities for the year ended June 30, 2002. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the transmittal financial statements.

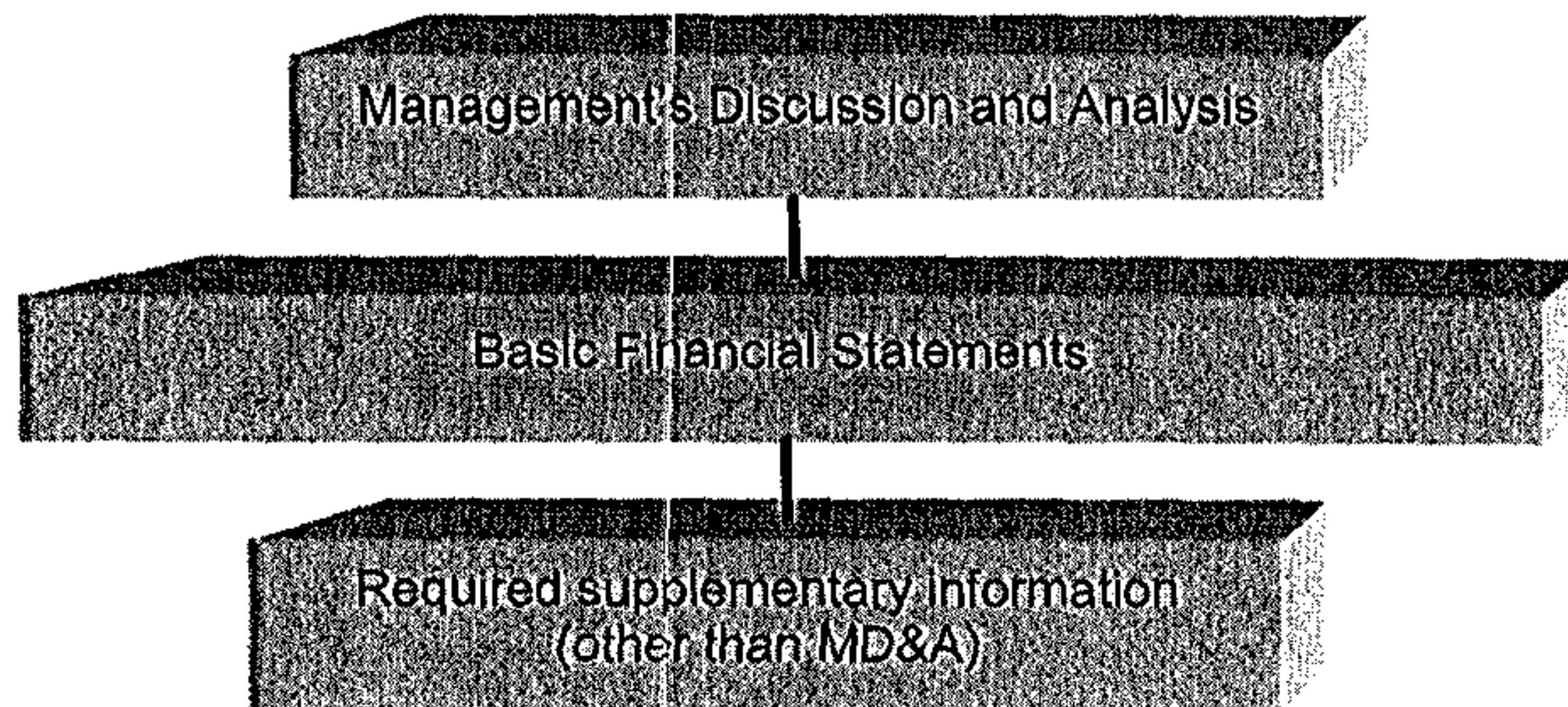
FINANCIAL HIGHLIGHTS

- ★ The Lake Borgne Basin Levee District's (BTA) assets exceeded its liabilities at the close of fiscal year 2002 by \$17,474,834. The net assets decreased by \$16,016,236 (or 48%). Most of the decrease can be attributed to new GASB 34 rules and requirements implemented for fiscal year ending June 30, 2002.
- ★
- ★ The Lake Borgne Basin Levee District's (BTA) revenue decreased \$242,926 (or 6%) and the net results from activities decreased by \$557,337. GASB 34 rules require current year depreciation to be expensed. Prior year net results from activities do not include any depreciation. Depreciation expense for this fiscal year amounts to \$744,647.

★
★
★
★

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2002**

Basic Financial Statements

The basic financial statements present information for the Lake Borgne Basin Levee District (BTA) as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Lake Borgne Basin Levee District (BTA) is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how Lake Borgne Basin Levee District's (BTA) assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement presents information showing how Lake Borgne Basin Levee District's (BTA) cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income(loss) to net cash provided(used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets as of June 30, 2002 (In thousands)		
	Total	
	2002	2001
Current and other assets	\$ 4,162	\$ 8,819
Capital assets	17,622	29,486
Total assets	21,774	38,304
Other liabilities	749	783
Long-term debt outstanding	3,550	4,030
Total liabilities	4,299	4,813
Net assets:		
Invested in capital assets, net of debt	13,502	25,000
Restricted	1,122	1,160
Unrestricted	2,851	7,331
Total net assets	\$ 17,475	\$ 33,491

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, grant requirements, or nature of the asset. Conversely, unrestricted net assets are those that do not have any limitations on what these amounts may be used for.

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2002**

Net assets of Lake Borgne Basin Levee District's (BTA) decreased by \$16,016,236, or 48%, from June 30, 2001 to June 30, 2002. One of the major causes of this decrease is the inclusion of infrastructure assets. This class of asset, which includes roads, bridges, and levees, was not included in general fixed assets of Lake Borgne Basin Levee District (BTA) under the basis of accounting prior to adoption of GASB Statement 34.

Statement of Revenues, Expenses, and Changes in Fund Net Assets for the years ended June 30, 2002 (in thousands)		
	Total	
	2002	2001
Operating revenues	\$ 0	\$ 3975
Operating expenses	4055	3968
Operating income(loss)	-4055	7
Non-operating revenues(expenses)	3504	
Income(loss) before transfers	-551	7
Transfers in	0	
Transfers out	0	
Net increase(decrease) in net assets	\$ -551	\$ 7

The Lake Borgne Basin Levee District's (BTA) total revenues decreased by \$ 242,926 or (6%). The total cost of all programs and services increased by \$86,501 or 2%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2002, the Lake Borgne Basin Levee District (BTA) had \$17,611,755 invested in a broad range of capital assets, including land, equipment and infrastructure. (See Table below).

This amount represents a net decrease (including additions and deductions) of \$645,305, or 4%.

Current year depreciation totaled \$744,647.

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2002

Capital Assets at Year-end
(Net of Depreciation, in thousands as restated per GASB 34)

	2002	2001
Land	\$ 256,954	\$ 256,954
Buildings and improvements		
Equipment	414,470	461,742
Infrastructure	16,940,331	17,538,364
Totals \$	<u>17,611,755</u>	<u>18,257,060</u>

This year's major additions included (in thousands):

- Work in progress on new addition to administration building. Cost for the year totaled \$99,344.
-
-

Debt

The Lake Borgne Basin Levee District (BTA) had \$4,030 thousand in bonds and notes outstanding at year-end, compared to \$4,485 thousand last year, a decrease of 10 % as shown in the table below.

Outstanding Debt at Year-end
(in thousands)

	2002	2001
General Obligation Bonds	\$ 4,030	\$ 4,485
Revenue Bonds and Notes		
Totals \$	<u>4,030</u>	<u>4,485</u>

No new debt for current year.

The Lake Borgne Basin Levee District's (BTA) bond rating continues to carry the Baa1 rating for general obligation bonds.

The Lake Borgne Basin Levee District (BTA) has not expensed any amounts for outstanding judgments for current or prior year. Legal counsel issued no opinion on outstanding lawsuits. The District is protected with insurance to cover normal lawsuits and judgments. Other obligations include current payables totaling \$80,099. Accrued vacation pay totaled \$99,553, and was classified as a long term liability

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2002**

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Revenues were approximately \$682,000 under budget and expenditures were \$839,000 less than budget. \$785,000 in grants budgeted for infrastructure was not received. Projects income and expenses were moved to future years.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Lake Borgne Basin Levee District's (BTA) appointed officials considered the following factors and indicators when setting next year's budget. These factors and indicators include:

- Operation and maintenance expenses to keep the current flood protection infrastructure in acceptable condition.
- Build and improve canals, and pumping stations, and levees.

-

The Lake Borgne Basin Levee District (BTA) expects no major changes next year's results.

-
-
-

CONTACTING THE LAKE BORGNE BASIN LEVEE DISTRICT'S (BTA) MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Lake Borgne Basin Levee District's (BTA) finances and to show the Lake Borgne Basin Levee District's (BTA) accountability for the money it receives. If you have questions about this report or need additional financial information, contact Executive Director at 504-682-5941.

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
STATEMENT OF NET ASSETS
AS OF JUNE, 30 2002**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note C1)	\$	1,815,269
Investments (Note C2)		1,200,000
Receivables (net of allowance for doubtful accounts)(Note U)		16,229
Due from other funds (Note Y)		
Due from federal government		
Inventories		42,170
Prepayments		
Notes receivable		
Restricted assets (Note F):		
Cash		1,078,835
Investments		
Receivables		
Other current assets		
Total current assets		4,152,503

NONCURRENT ASSETS:

Restricted assets (Note F):		
Cash		
Investments		
Receivables		
Notes receivable		
Capital assets (net of depreciation)(Note D)		
Land		256,954
Buildings and improvements		
Machinery and equipment		315,127
Infrastructure		16,940,332
Construction in progress		109,389
Other noncurrent assets		
Total noncurrent assets		17,621,802
Total assets	\$	21,774,305

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accruals (Note V)	\$	61,499
Due to other funds (Note Y)		
Due to federal government		
Deferred revenues		
Amounts held in custody for others		
Other current liabilities		
Current portion of long-term liabilities:		
Contracts payable		18,600
Reimbursement contracts payable		
Compensated absences payable (Note K)		
Capital lease obligations - (Note J)		
Notes payable		
Liabilities payable from restricted assets (Note Z)		89,819
Bonds payable		480,000
Other long-term liabilities		
Total current liabilities		649,918

NON-CURRENT LIABILITIES:

Contracts payable		
Reimbursement contracts payable		
Compensated absences payable (Note K)		99,553
Capital lease obligations (Note J)		
Notes payable		
Liabilities payable from restricted assets (Note Z)		
Bonds payable		3,550,000
Other long-term liabilities		
Total long-term liabilities		3,649,553
Total liabilities		4,299,471

NET ASSETS

Invested in capital assets, net of related debt		13,501,984
Restricted for:		
Capital projects		452,332
Debt service		626,503
Unemployment compensation		
Other specific purposes		42,170
Unrestricted		2,851,845
Total net assets		17,474,834
Total liabilities and net assets	\$	21,774,305

The accompanying notes are an integral part of this financial statement.

Statement A

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002**

OPERATING REVENUES

Sales of commodities and services	\$	
Assessments		
Use of money and property		
Licenses, permits, and fees		
Other		
Total operating revenues		0

OPERATING EXPENSES

Cost of sales and services	2,654,643
Administrative	655,733
Depreciation	744,647
Amortization	
Total operating expenses	4,055,023
Operating Income(loss)	(4,055,023)

NON-OPERATING REVENUES(EXPENSES)

State appropriations	642,440
Intergovernmental revenues (expenses)	
Taxes	2,912,792
Use of money and property	101,224
Gain (loss) on disposal of fixed assets	13,395
Federal grants	29,037
Interest expense	(227,907)
Other	33,178
Total non-operating revenues(expenses)	3,504,159
Income(loss) before contributions and transfers	(550,864)

Capital contributions
Transfers in
Transfers out

Change in net assets (550,864)

Total net assets -- beginning as restated 22,325,169

Total net assets -- ending \$ 21,774,305

The accompanying notes are an integral part of this financial statement.

Statement B

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Component Unit:					
Component Unit X	\$ 4,282,930	\$ 0	\$ 29,037	\$ 364,623	\$ (3,889,270)
General revenues:					
Taxes					2,912,792
State appropriations					277,817
Grants and contributions not restricted to specific programs					
Interest					101,224
Miscellaneous					46,573
Special Items					
Transfers					
Total general revenues, special items, and transfers					3,338,406
Change in net assets					(550,864)
Net assets - beginning					22,325,169
Net assets - ending					\$ 21,774,305

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002**

Cash flows from operating activities

Cash received from customers	\$	
Cash payments to suppliers for goods and services		
Cash payments to employees for services		(1,246,382)
Payments in lieu of taxes		
Internal activity-payments to other funds		
Claims paid to outsiders		
Other operating revenues(expenses)		(1,703,865)
Net cash provided(used) by operating activities		<u>(2,950,247)</u>

Cash flows from non-capital financing activities

State appropriations		642,440
Proceeds from sale of bonds		
Principal paid on bonds		(455,000)
Interest paid on bond maturities		(236,723)
Proceeds from issuance of notes payable		
Principal paid on notes payable		
Interest paid on notes payable		
Operating grants received		29,037
Other (Ad Valorem taxes & misc. receipts)		2,931,485
Transfers in		
Transfers out		
Net cash provided(used) by non-capital financing activities		<u>2,911,239</u>

Cash flows from capital and related financing

Proceeds from sale of bonds		
Principal paid on bonds		
Interest paid on bond maturities		
Proceeds from issuance of notes payable		
Principal paid on notes payable		
Interest paid on notes payable		
Acquisition/construction of capital assets		(99,439)
Proceeds from sale of capital assets		13,395
Capital contributions		
Other		
Net cash provided(used) by capital and related financing activities		<u>(86,044)</u>

Cash flows from Investing activities

Purchases of investment securities		(1,200,000)
Proceeds from sale of investment securities		1,500,000
Interest and dividends earned on investment securities		101,224
Net cash provided(used) by investing activities		<u>401,224</u>

Net Increase(decrease) in cash and cash equivalents		<u>276,172</u>
Cash and cash equivalents at beginning of year		<u>2,617,932</u>
Cash and cash equivalents at end of year	\$	<u><u>2,894,104</u></u>

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002**

Reconciliation of operating income(loss) to net cash provided(used) by operating activities:

Operating income(loss)		\$	<u>(4,055,023)</u>
Adjustments to reconcile operating income(loss) to net cash			
Depreciation/amortization	744,647		
Bonds Paid and included In operating expenses	<u>455,000</u>		
Changes in assets and liabilities:			
(Increase)decrease in accounts receivable	<u>(14,177)</u>		
(Increase)decrease in due from other funds			
(Increase)decrease in prepayments			
(Increase)decrease in inventories	<u>801</u>		
(Increase)decrease in other assets			
Increase(decrease) in accounts payable	<u>(65,295)</u>		
Increase(decrease) in accrued payroll and related benefits	<u>(3,019)</u>		
Increase(decrease) in compensated absences payable	<u>(9,005)</u>		
Increase(decrease) in due to other funds			
Increase(decrease) in deferred revenues			
Increase(decrease) in other liabilities	<u>(4,176)</u>		
Net cash provided(used) by operating activities		\$	<u>(2,950,247)</u>

Schedule of noncash investing, capital, and financing activities:

Borrowing under capital lease	
Contributions of fixed assets	
Purchases of equipment on account	
Asset trade-ins	
Other (specify)	
Total noncash investing, capital, and financing activities:	0

(Concluded)

The accompanying notes are an integral part of this statement.

Statement D

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2002**

INTRODUCTION

The Lake Borgne Levee District (BTA) was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 38:291(G). The following is a brief description of the operations of Lake Borgne Levee District(BTA) which includes the parish in which the (BTA) is located: The BTA primarily provides flood protection for those areas contained in the district. The levee district is responsible for 60 miles of levees, 8 pump stations, and 53 miles of drainage canals.

The Lake Borgne Basin Levee District's office is located in Violet, Louisiana, and employs 39 full-time and 7 part-time employees.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of the Lake Borgne Basin Levee District present information only as to the transactions of the programs of the Lake Borgne Basin Levee District as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Lake Borgne Basin Levee District are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. BUDGETARY ACCOUNTING

The appropriations made for the operations of the various programs of the Lake Borgne Basin Levee District (BTA) are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are forwarded the Joint Legislative Budget Committee, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements include the original appropriation plus subsequent amendments as follows:

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2002

APPROPRIATIONS

Original approved budget	\$ <u>4,298,000</u>
Amendments: Net	<u>116,000</u>
	<u> </u>
	<u> </u>
Final approved budget	\$ <u><u>4,414,000</u></u>

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (If all agency cash and investments are deposited in the State Treasury, disregard Note C.)

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the Lake Borgne Basin Levee District (BTA) may deposit funds within a fiscal agent bank. Further, the (BTA) may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets with a maturity of three months or less when purchased) are considered to be cash equivalents.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer. The deposits at June 30, 2002 were secured as follows:

	Deposits in bank accounts			
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Other (Describe)</u>	<u>Total</u>
Deposits in bank accounts per balance sheet	\$ <u>2,894,104</u>	\$ <u>1,200,000</u>	\$ <u> </u>	\$ <u>4,094,104</u>
Bank balances:				
1. Insured or collateralized with securities held by the entity or its agency <u>in the entity's name</u>	<u> </u>	<u> </u>	<u> </u>	<u>0</u>
2. Collateralized with securities held by the pledging institution's trust department or agent <u>in the entity's name</u>	<u>2,894,104</u>	<u>1,200,000</u>	<u> </u>	<u>4,094,104</u>
3. Uncollateralized, including any securities held for the entity <u>but not in the entity's name</u>	<u> </u>	<u> </u>	<u> </u>	<u>0</u>
Total bank balances	\$ <u>2,894,104</u>	\$ <u>1,200,000</u>	\$ <u>0</u>	\$ <u>4,094,104</u>

NOTE: The "Total Bank Balances" will not necessarily equal the "Deposits in Bank Account per Balance Sheet".

The following is a breakdown by banking institution, program, account number, and amount of the balances shown above:

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2002

<u>Banking Institution</u>	<u>Program</u>	<u>Amount</u>
1. HIBERNIA NATIONAL BANK	OPERATIONS	\$ 1,815,269
2. GULF COAST BANK AND TRUST	CAPITAL PROJECTS	452,332
3. HIBERNIA NATIONAL BANK	DEBT SERVICE	626,503
4. GULF COAST BANK AND TRUST	INVESTMENTS CD	1,200,000
Total		\$ 4,094,104

Were uncollateralized securities fitting the description in (3) above during the year significantly greater than at June 30, 2002? No! If yes, attach a statement listing the amount(s) and a reason for this occurrence.

Cash in State Treasury and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the balance sheet to amounts reported in this note, list below any cash in treasury and petty cash that are included in the balance sheet.

Cash in State Treasury	\$ NONE
Petty cash	\$ 30

2. INVESTMENTS

Upon implementation of GASB Statement 31, reported amount and fair value will often be the same number.

The Lake Borgne Basin Levee District does maintain investment accounts as authorized by investing in only fully collateralized CD's at banks (Note legal provisions authorizing investments by the Lake Borgne Basin Levee District (BTA)).

Investments can be classified according to the level of risk to the entity. Using the following categories, list each type of investment disclosing the carrying amount, market value, and applicable category of risk.

Category 1 - Insured or registered in the entity's name, or securities held by the entity or its agent in the entity's name.

Category 2 - Uninsured and unregistered with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 - Unsecured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

Certain types of investments cannot appropriately be categorized. These are to be listed separately at the end of the schedule in the space provided.

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)**

Notes to the Financial Statement

As of and for the year ended June 30, 2002

<u>Type of Investment</u>	<u>Category of Risk</u>			<u>Reported Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase agreements	\$ _____	\$ _____	\$ _____	\$ 0	\$ _____
U.S. Government securities	_____	_____	_____	0	_____
Common & preferred stock	_____	_____	_____	0	_____
Commercial paper	_____	_____	_____	0	_____
Corporate bonds	_____	_____	_____	0	_____
Other: (Identify)	_____	_____	_____	0	_____
BANK CERTIFICATES OF DEPOSIT	1,200,000	_____	_____	1,200,000	1,200,000
	_____	_____	_____	0	_____
	_____	_____	_____	0	_____
Total categorized investments	\$ 1,200,000	\$ 0	\$ 0	\$ 1,200,000	\$ 1,200,000
Investments not categorized: (list separately)					
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
Total investments				\$ 1,200,000	\$ 1,200,000

3. Other Disclosures Required for Investments

- a. Investments in pools managed by other governments or mutual funds. **None**
- b. Securities underlying reverse repurchase agreements. **None**
- c. Unrealized investment losses. **None**
- d. Commitments as of _____ (fiscal close), to resell securities under yield maintenance repurchase agreements:
 1. Carrying amount and market value at June 30 of securities to be resold. **None**
 2. Description of the terms of the agreement. **None**
- e. Investment types owned during the year but not owned as of June 30 . **None**
- f. Losses during the year due to default by counterparties to deposit or investment transactions **None**
- g. Amounts recovered from prior-period losses which are not shown separately on the balance sheet . **None**

Legal or Contractual Provisions for Reverse Repurchase Agreements

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2002

- h. Source of legal or contractual authorization for use of reverse repurchase agreements. **None**
- i. Significant violations of legal or contractual provisions for reverse repurchase agreements that occurred during the year. **None**

Reverse Repurchase Agreements as of the Balance Sheet Date

- j. Credit risk related to the reverse repurchase agreements outstanding at balance sheet date, that is, the aggregate amount of reverse repurchase agreement obligations including accrued interest compared to aggregate market value of the securities underlying those agreements including interest. **None**
- k. Commitments on _____ (fiscal close), to repurchase securities under yield maintenance agreements. **None**
- l. Market value on _____ (fiscal close), of the securities to be repurchased. **None**
- m. Description of the terms of the agreements to repurchase. **None**
- n. Losses recognized during the year due to default by counterparties to reverse repurchase agreements. **None**
- o. Amounts recovered from prior-period losses which are not separately shown on the operating statement. **None**

Fair Value Disclosures

- p. Methods and significant assumptions used to estimate fair value of investments, if fair value is not based on quoted market prices. **None**
- q. Basis for determining which investments, if any, are reported at amortized cost. **None**
- r. For investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool. **None**
- s. Whether the fair value of your investment in the external investment pool is the same as the value of the pool shares. **None**
- t. Any involuntary participation in an external investment pool. **None**
- u. Whether you are unable to obtain information from a pool sponsor to determine the fair value of your investment in the pool, methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate. **None**

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2002

v. Any income from investments associated with one fund that is assigned to another fund. None

D. CAPITAL ASSETS

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the statement of net assets of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity are charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

	6/30/2001	Additions	Transfers *	Retirements	6/30/2002	Adjustment	6/30/2002
Capital assets not being depreciated							
Land	256,954	--	--	--	256,954	--	256,954
Non-depreciable land improvements	--	--	--	--	--	--	--
Capitalized collections	--	--	--	--	--	--	--
Construction in progress	--	99,343	--	--	99,343	--	99,343
Total capital assets not being depreciated	<u>256,954</u>	<u>99,343</u>	<u>--</u>	<u>--</u>	<u>356,297</u>	<u>--</u>	<u>356,297</u>
Other capital assets							
Furniture, fixtures, and equipment	1,303,561	--	--	(82,658)	1,220,903	--	1,220,903
Less accumulated depreciation	841,819	146,615	--	(82,658)	905,776	--	905,776
Total furniture, fixtures, and equipment	<u>461,742</u>	<u>146,615</u>	<u>--</u>	<u>(165,316)</u>	<u>315,127</u>	<u>--</u>	<u>315,127</u>
Buildings and Improvements							
Less accumulated depreciation	--	--	--	--	--	--	--
Total buildings and improvements	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Depreciable land improvements							
Less accumulated depreciation	--	--	--	--	--	--	--
Total depreciable land improvements	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Infrastructure							
Less accumulated depreciation	26,046,288	--	--	--	26,046,288	--	26,046,288
Total infrastructure	<u>8,507,924</u>	<u>598,033</u>	<u>--</u>	<u>--</u>	<u>9,105,957</u>	<u>--</u>	<u>9,105,957</u>
Total other capital assets	<u>18,000,106</u>	<u>744,648</u>	<u>--</u>	<u>(165,316)</u>	<u>17,255,458</u>	<u>--</u>	<u>17,255,458</u>
Capital Asset Summary:							
Capital assets not being depreciated	256,954	99,343	--	--	356,297	--	356,297
Other capital assets, at cost	27,349,849	--	--	(82,658)	27,267,191	--	27,267,191
Total cost of capital assets	<u>27,606,803</u>	<u>99,343</u>	<u>--</u>	<u>(82,658)</u>	<u>27,623,488</u>	<u>--</u>	<u>27,623,488</u>
Less accumulated depreciation	<u>9,349,743</u>	<u>744,648</u>	<u>--</u>	<u>(82,658)</u>	<u>10,011,733</u>	<u>--</u>	<u>10,011,733</u>
Capital assets, net	<u>18,257,060</u>	<u>843,991</u>	<u>--</u>	<u>(165,316)</u>	<u>17,611,755</u>	<u>--</u>	<u>17,611,755</u>

* Should be used only for those completed projects coming out of construction-in-progress to fixed assets; not associated with transfers reported elsewhere in this packet.

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2002

1

E. INVENTORIES

The unit's inventories are valued at First in First out (fifo) method. These are perpetual inventories and are expensed when used. Inventory is on site fuel.

F. RESTRICTED ASSETS

Restricted assets in the Lake Borgne Basin Levee District (BTA) at June 30, 2002, reflected at \$42,170 in the current assets section on Statement A, consist of \$0 in cash with fiscal agent, \$0 in receivables, and \$0 investment in None (identify the type investments held.)

Restricted assets in the Lake Borgne Basin Levee District(BTA) at June 30, 2002, reflected at \$1,078,835 in the non-current assets section on Statement A, consist of \$1,078,835 in cash with fiscal agent, \$0 in receivables, and \$0 investment in. None

G. LEAVE

1. COMPENSATED ABSENCES

The Lake Borgne Basin Levee District (BTA) has the following policy on annual and sick leave: (Describe leave policy.)

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the General Fund when leave is actually taken; it is recognized in the enterprise funds when the leave is earned. The cost of leave privileges applicable to general government operations not requiring current resources is recorded in the general long-term obligations account group. The liability for accrued payable absences leave at June 30, 2002 (fiscal close) computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105 is estimated to be \$99,553. The compensated absences payable is recorded in the accompanying financial statements.

2. COMPENSATORY LEAVE *NONE*

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned (K-time). Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employees' hourly rate of pay at termination or transfer.

H. RETIREMENT SYSTEM

Substantially all of the employees of the Lake Borgne Basin Levee District (BTA) are members of the La State Employees Retirement System (System), a cost sharing multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

LAKE BORGNE BASIN LEVEE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2002

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,894,104.02
Investments	1,200,000.00
Receivable - state	16,228.73
Inventory	42,170.22
Total Current Assets	<u>4,152,502.97</u>

Noncurrent Assets

Capital assets -	
Land	256,954.00
Machinery and equipment	1,220,903.00
Infrastructure	26,046,287.96
Construction in progress	109,389.07
Accumulated depreciation	<u>(10,011,731.91)</u>
Total noncurrent assets	<u>17,621,802.12</u>

TOTAL ASSETS	<u>\$ 21,774,305.09</u>
---------------------	--------------------------------

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 2,185.79
Retainage payable	18,600.00
Accrued salaries payable	45,088.00
Payroll deductions and accruals	14,225.24
Accrued interest payable	89,818.75
Current-portion long-term debt	480,000.00
Total Current Liabilities	<u>649,917.78</u>

Noncurrent Liabilities

Bonds	3,550,000.00
Compensated absences	99,552.96
Total Noncurrent Liabilities	<u>3,649,552.96</u>

Total Liabilities	<u>4,299,470.74</u>
--------------------------	----------------------------

Net Assets

Investment in capital assets	17,621,802.12
Restricted for capital projects	452,332.11
Unrestricted	<u>(599,299.88)</u>

Total Net Assets	<u>17,474,834.35</u>
-------------------------	-----------------------------

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,774,305.09</u>
---	--------------------------------

See accompanying notes to the basic financial statements.

STATE OF LOUISIANA
 LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
 Notes to the Financial Statement
 As of and for the year ended June 30, 2002

Year ending June 30, :	<u>Total</u>
2003	\$ NONE
2004	NONE
2005	NONE
2006	NONE
2007	NONE
2008-2012	NONE
2013-2015	NONE
Total minimum lease payments	0
Less amounts representing executory costs	
Net minimum lease payments	0
Less amounts representing interest	
Present value of net minimum lease payments	\$ 0

3. LESSOR DIRECT FINANCING LEASES

A lease is classified as a direct financing lease (1) when any one of the four capitalization criteria used to define a capital lease for the lessee is met and (2) when both the following criteria are satisfied:

- Collectibility of the minimum lease payments is reasonably predictable.
- No important uncertainties surround the amount of the unreimbursable costs yet to be incurred by the lessor under the lease.

Provide a general description of the direct financing agreement, and complete the chart below:

<u>Composition of lease</u>	<u>Date of lease</u>	<u>Minimum lease payment receivable</u>
a. Office space		\$ NONE
b. Equipment		NONE
c. Land		NONE
Less amounts representing executory costs		
Minimum lease payment receivable		0
Less allowance for doubtful accounts		
Net minimum lease payments receivable		0
Less unearned income		
Net investment in direct financing lease		\$ 0

Minimum lease payments do not include contingent rentals which may be received as stipulated in the lease contracts. Contingent rental payments occur if for example the use of the equipment, land, or building etc., exceeds a certain level of activity each year. Contingent rentals received for fiscal year 2002 were \$_____ for office space, \$_____ for equipment, and \$_____ for land.

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2002

The following is a schedule by year of minimum leases receivable for the remaining fiscal years of the lease as of _____ (the last day of your fiscal year):

Year ending _____:	
2003	\$ NONE
2004	NONE
2005	NONE
2006	NONE
2007	NONE
2008-2012	NONE
2013-2017	NONE
Total	\$ 0

4. LESSOR – OPERATING LEASE

When a lease agreement does not satisfy at least one of the four criteria (common to both lessee and lessor accounting), and both of the criteria for a lessor (collectibility and no uncertain reimbursable costs), the lease is classified as an operating lease. In an operating lease, there is no simulated sale and the lessor simply records rent revenues as they become measurable and available.

Provide the cost and carrying amount, if different, of property on lease or held for lease organized by major class of property and the amount of accumulated depreciation as of _____ 20__:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Carrying amount</u>
a. Office space	\$ NONE	\$ NONE	\$ NONE
b. Equipment	NONE	NONE	NONE
c. Land	NONE	NONE	NONE
Total	\$ 0	\$ 0	\$ 0

The following is a schedule by years of minimum future rentals on non-cancelable operating lease(s) as of _____ (the last day of your fiscal year):

Year Ended June 30,	Office Space	Equipment	Land	Other	Total
2003	\$ NONE	\$ NONE	\$ NONE	\$ NONE	\$ NONE
2004	NONE	NONE	NONE	NONE	NONE
2005	NONE	NONE	NONE	NONE	NONE
2006	NONE	NONE	NONE	NONE	NONE
2007	NONE	NONE	NONE	NONE	NONE
2008-2012	NONE	NONE	NONE	NONE	NONE
2013-2015	NONE	NONE	NONE	NONE	NONE
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Contingent rentals received from operating leases received for your fiscal year was \$ _____ for office space, \$ _____ for equipment, and \$ _____ for land.

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2002

K. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2002:

	Balance June 30, 2001	Year ended June 30, 2002		Balance June 30, 2002	Amounts due within one year
		Additions	Reductions		
Bonds and notes payable:					
Notes payable	\$	\$	\$	\$ --	\$
Reimbursement contracts payable				--	
Bonds payable	4,005,000		455,000	3,550,000	480,000
Total notes and bonds	4,005,000	--	455,000	3,550,000	480,000
Other liabilities:					
Contracts payable				--	
Compensated absences payable	108,558		9,005	99,553	
Capital lease obligations				--	
Liabilities payable from restricted assets				--	
Claims and litigation				--	
Other long-term liabilities				--	
Total other liabilities	108,558	--	9,005	99,553	--
Total long-term liabilities	4,113,558	--	464,005	3,649,553	480,000

A detailed summary, by issues, of all debt outstanding at June 30, 2002, including outstanding interest of \$(No new issue) is shown on schedule 4. Schedule 5 is an amortization schedule of the outstanding debt. (Send a copy of the amortization schedule for any new debt issued.)

L. LITIGATION

1. The Lake Borgne Basin Levee District(BTA) is a defendant in litigation seeking damages as follows:

Date of Action	Description of Litigation	Primary Attorney	Damages Claimed	Insurance Coverage
12/3/2001	Della B lanchard	Marcel Gueniot	\$ Unknown	NO
n/a	Henry Peter Morgan	Marcel Gueniot	Unknown	NO
06/12/99	Perry Bailey	Michael R. Sistrunk	60,000	YES
06/13/99	Larry Aisola	Debra Cottrell	Unknown	YES
n/a	Linda Ortiz	J. T. Grevemberg	Unknown	YES
n/a	E. Cornwall	M. Bradley	20,000	YES
Totals			\$ 80,000	

The Lake Borgne Basin Levee District's(BTA) legal advisor estimates that potential claims not covered by insurance would not affect the financial statement.

2. Claims and litigation costs of \$ 0 were incurred in the current year and are reflected in the accompanying financial statement.

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2002

M. RELATED PARTY TRANSACTIONS – NO RELATED PARTY TRANSACTION

(FASB 57 requires disclosure of the description of the relationship, the transaction(s), the dollar amount of the transaction(s) and any amounts due to or from which result from related party transactions. List all related party transactions).

N. ACCOUNTING CHANGES-NO ACCOUNTING CHANGES OTHER THEN GASB 34

Accounting changes made during the year involved a change in accounting _____ (principle, estimate, error or entity). The effect of the change is being shown in _____.

O. IN-KIND CONTRIBUTIONS-NO IN-KIND CONTRIBUTION

(List all In-kind contributions that are not included in the accompanying financial statements.)

<u>In-Kind Contributions</u>	<u>Cost/Estimated Cost/Fair Market Value/As Determined by the Grantor</u>
NONE	
_____	\$ _____
_____	_____
_____	_____
_____	_____
_____	_____
Total	\$ _____ 0

P. DEFEASED ISSUES

On September 1, 1993, the Lake Borgne Basin Levee District(BTA), defeased \$4,930,000 of General Obligation Bonds. The purpose of the issue was to provide monies to advance refund portions of Series 1989 bonds. In order to refund the bonds the new issue \$5,820,000 was escrowed. The bond proceeds together with interest earnings, will be used to pay the principal, redemption premium, and interest when due. The refunding resulted in reducing the total debt service payments.

Q. COOPERATIVE ENDEAVORS

LRS 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the state of Louisiana, its local governmental subdivisions, political corporations, public benefit corporations, the United States government or its agencies, or any public or private association, corporation, or individual. The term cooperative endeavor includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The state of Louisiana has

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2002

entered into cooperative endeavor agreements with certain entities aimed at developing the economy of the state. The liability outstanding as of June 30, 2002, by funding source, is as follows:

NAME	BALANCE @ 6/30/01	BALANCE @ 6/30/02
DNR CEA 250394-02	\$ 277,543	\$162,739
REGGIO LEVEE SP #716-44-0012	475,201	443,304
EICKES EXT. FP&C #36-L08-00B-01	651,700	299,603

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS) NONE

The following government-mandated nonexchange transactions (grants) were received during fiscal year 2001-2002:

CFDA Number	Program Name	State Match Percentage	Total Amount of Grant
	NONE		\$
Total government-mandated nonexchange transactions (grants)			\$ 0

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS NONE

At June 30, 20__, the _____ (BTA) was not in compliance with the provisions of _____ Bond Reserve Covenant that requires _____ . The _____ (BTA) did _____ to correct this deficiency.

T. SHORT-TERM DEBT NONE

The _____ (BTA) issues short-term notes for _____ .
 Short-term debt activity for the year ended June 30, 20__, was as follows:

	Reason for Debt	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes		\$	\$	\$	\$ 0

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2002

The _____(BTA) uses a revolving line of credit to finance _____ prior to the issuance of related bonds.

Short-term debt activity for the year ended June 30, 20__, was as follows:

	Reason for Debt	Beginning Balance	Draws	Redeemed	Ending Balance
Line of credit		\$ _____	\$ _____	\$ _____	\$ _____ 0

U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2002, were as follows:

Activity	Customer Receivables	Taxes	Receivables from other Governments	Other Receivables	Total Receivables
VIOLET SIPHON	\$ _____	\$ _____	\$ 16,229	\$ _____	\$ 16,229
					0
Gross receivables	\$ 0	\$ 0	\$ 16,229	\$ 0	\$ 16,229
Less allowance for uncollectible accounts	0	0	0	0	0
Receivables, net	\$ 0	\$ 0	\$ 16,229	\$ 0	\$ 16,229
Amounts not scheduled for collection during the subsequent year	\$ _____	\$ _____	\$ _____	\$ _____	\$ 0

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2002, were as follows:

Activity	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
GEN. OPERATIONS	\$ 2,185	\$ 59,314	\$ _____	\$ _____	\$ 61,499
					0
Total payables	\$ 2,185	\$ 59,314	\$ 0	\$ 0	\$ 61,499

W. SUBSEQUENT EVENTS-NONE

[Disclose any material event(s) affecting the (BTA) occurring between the close of the fiscal period and issuance of the financial statement.]

STATE OF LOUISIANA
 LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
 Notes to the Financial Statement
 As of and for the year ended June 30, 2002

X. SEGMENT INFORMATION-NO SEGMENTED ACTIVITIES

Governments that report enterprise funds or that use enterprise fund accounting and reporting standards to report their activities are required to present segment information for those activities in the notes to the financial statements. For the purposes of this disclosure, a segment is an identifiable activity (or group of activities), reported as or within an enterprise fund or an other stand-alone entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately. This requirement for separate accounting applies if imposed by an external party, such as accounting and reporting requirements set forth in bond indentures. Disclosure requirements for each segment should be met by identifying the types of goods and services provided and by presenting condensed financial statements in the notes, including the elements in A through C below (GASB 34, paragraph 122, as modified by GASB 37, paragraph 17.)

Type of goods or services provided by the segment_____.

A. Condensed statement of net assets:

- (1) Total assets – distinguishing between current assets, capital assets, and other assets. Amounts receivable from other funds or BTA's should be reported separately.
- (2) Total liabilities – distinguishing between current and long-term amounts. Amounts payable to other funds or BTA's should be reported separately.
- (3) Total net assets – distinguishing among restricted (separately reporting expendable and nonexpendable components); unrestricted; and amounts invested in capital assets, net of related debt.

Condensed Statement of Net Assets:

	<u>Segment #1</u>	<u>Segment #2</u>
Current assets	\$ _____	\$ _____
Due from other funds	_____	_____
Capital assets	_____	_____
Other assets	_____	_____
Current liabilities	_____	_____
Due to other funds	_____	_____
Long-term liabilities	_____	_____
Restricted net assets	_____	_____
Unrestricted net assets	_____	_____
Invested in capital assets, net of related debt	_____	_____

B. Condensed statement of revenues, expenses, and changes in net assets:

- (1) Operating revenues (by major source).
- (2) Operating expenses. Depreciation (including any amortization) should be identified separately.
- (3) Operating income (loss).
- (4) Nonoperating revenues (expenses) – with separate reporting of major revenues and expenses.
- (5) Capital contributions and additions to permanent and term endowments.
- (6) Special and extraordinary items.
- (7) Transfers
- (8) Change in net assets.
- (9) Beginning net assets.
- (10) Ending net assets.

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2002

Condensed Statement of Revenues, Expenses, and Changes in Net Assets:

	<u>Segment #1</u>	<u>Segment #2</u>
Operating revenues	\$ _____	\$ _____
Operating expenses	_____	_____
Depreciation and amortization	_____	_____
Operating income (loss)	_____ 0	_____ 0
Nonoperating revenues (expenses)	_____	_____
Capital contributions/additions to permanent and term endowments	_____	_____
Special and extraordinary items	_____	_____
Transfers in	_____	_____
Transfers out	_____	_____
Change in net assets	_____ 0	_____ 0
Beginning net assets	_____	_____
Ending net assets	_____ 0	_____ 0

C. Condensed statement of cash flows:

- (1) Net cash provided (used) by:
 - (a) Operating activities
 - (b) Noncapital financing activities
 - (c) Capital and related financing activities
 - (d) Investing activities
- (2) Beginning cash and cash equivalent balances
- (3) Ending cash and cash equivalent balances

Condensed Statement of Cash Flows:

	<u>Segment #1</u>	<u>Segment #2</u>
Net cash provided (used) by operating activities	\$ _____	\$ _____
Net cash provided (used) by noncapital financing activities	_____	_____
Net cash provided (used) by capital and related financing activities	_____	_____
Net cash provided (used) by investing activities	_____	_____
Beginning cash and cash equivalent balances	_____	_____
Ending cash and cash equivalent balances	_____ 0	_____ 0

Y. DUE TO/DUE FROM AND TRANSFERS

1. List by fund type the amounts due from other funds detailed by individual fund at your fiscal year end:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
_____	_____	\$ _____
_____	_____	_____
_____	_____	_____
Total due from other funds		\$ _____ 0

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2002

2. List by fund type the amounts due to other funds detailed by individual fund at fiscal year end:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
_____	_____	\$ _____
_____	_____	_____
_____	_____	_____
Total due to other funds		\$ <u>0</u>

3. List by fund type all transfers from other funds for the fiscal year:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
_____	_____	\$ _____
_____	_____	_____
_____	_____	_____
Total transfers from other funds		\$ <u>0</u>

4. List by fund type all transfers to other funds for the fiscal year:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
_____	_____	\$ _____
_____	_____	_____
_____	_____	_____
Total transfers to other funds		\$ <u>0</u>

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets in the _____(BTA) at _____(fiscal year end), reflected at \$_____in the current liabilities section on Statement A, consist of \$_____ in accounts payable, \$_____ in notes payable, and \$_____ in _____.

Liabilities payable from restricted assets in the _____(BTA) at _____(fiscal year end), reflected at \$_____in the non-current liabilities section on Statement A, consist of \$_____in accounts payable, \$_____ in notes payable, and \$_____ in _____.

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS

The following adjustments were made to restate beginning net assets for June 30, 2002.

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2002

Fund balance July 1, 2001, previously reported		Adjustments + or (-)		Beginning net assets, July 1, 2001, As restated
29,485,239	\$	(11,485,133)	\$	18,000,106
				--
				--
				--
				--
				--

Each adjustment must be explained in detail on a separate sheet.

Explanations for prior year restatement:

FIXED ASSETS REMOVED BECAUSE UNDER NEW THESHOLD LIMITS	\$ 2,135,391
PRIOR YEAR DEPRECIATION DEDUCTED PRIOR YEAR COST	<u>9,349,742</u>
TOTAL ADJUSTMENT TO RESTATE BEGINNING NET ASSETS	\$11,485,133

(NOTE: Net Assets at July 1, 2001, previously reported, must correspond to Net Assets at June 30, 2001, per the information received from OSRAP.)

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2002**

SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS

[illegible]

SCHEDULE 1

SCHEDULE OF STATE FUNDING

<u>Description of Funding</u>	<u>Amount</u>
1. STATE REVENUE SHARING	\$ 163,000
2. STATE CONSTRUCTION GRANTS	364,690
3. DEPT. OF NATURAL RESOURCES REIMBURSEMENTS OF EXPENSES	114,750
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
9. _____	_____
10. _____	_____
Total	\$ 642,440

SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/PY	Redeemed (Issued)	Principal Outstanding 6/30/CY	Interest Rates	Interest Outstanding 6/30/CY
NONE		\$	\$	\$	\$		\$
Total		NONE \$	NONE \$	NONE \$	NONE \$		NONE \$

*Send copies of new amortization schedules

STATE OF LOUISIANA
 LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
 Notes to the Financial Statement
 As of and for the year ended June 30, 2002

SCHEDULE OF NOTES PAYABLE

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/PY	Redeemed (Issued)	Principal Outstanding 6/30/CY	Interest Rates	Interest Outstanding 6/30/CY
NONE		\$	\$	\$	\$		\$
Total		NONE \$	NONE \$	NONE \$	NONE \$		NONE \$

*Send copies of new amortization schedules

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT(BTA)
Notes to the Financial Statement
As of and for the year ended June 30, 2002

SCHEDULE OF BONDS PAYABLE

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/PY	Redeemed (Issued)	Principal Outstanding 6/30/CY	Interest Rates	Interest Outstanding 6/30/CY
		\$	\$	\$	\$		\$
1993	9/1/93	5,820,000	4,485,000	455,000	4,030,000	4.05/5.55	930,953
		<u>\$5,820,000</u>	<u>\$4,485,000</u>	<u>\$ 455,000</u>	<u>\$ 4,038,000</u>		<u>\$ 930,953</u>
Total					\$		

*Send copies of new amortization schedules

SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION

<u>Fiscal Year</u> <u>Ending:</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ <u>NONE</u>	\$ <u>NONE</u>
2004	<u> </u>	<u> </u>
2005	<u> </u>	<u> </u>
2006	<u> </u>	<u> </u>
2007	<u> </u>	<u> </u>
2008-2012	<u> </u>	<u> </u>
2013-2017	<u> </u>	<u> </u>
2018-2022	<u> </u>	<u> </u>
2023-2027	<u> </u>	<u> </u>
Total	\$ <u>NONE</u>	\$ <u>NONE</u>

SCHEDULE 4-A

SCHEDULE OF CAPITAL LEASE AMORTIZATION

<u>Fiscal Year</u> <u>Ending:</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2003	\$ <u>NONE</u>	\$ <u>NONE</u>	\$ <u>NONE</u>	\$ <u>NONE</u>
2004	<u> </u>	<u> </u>	<u> </u>	<u> --</u>
2005	<u> </u>	<u> </u>	<u> </u>	<u> --</u>
2006	<u> </u>	<u> </u>	<u> </u>	<u> --</u>
2007	<u> </u>	<u> </u>	<u> </u>	<u> --</u>
2008-2012	<u> </u>	<u> </u>	<u> </u>	<u> --</u>
2013-2017	<u> </u>	<u> </u>	<u> </u>	<u> --</u>
2018-2022	<u> </u>	<u> </u>	<u> </u>	<u> --</u>
2023-2027	<u> </u>	<u> </u>	<u> </u>	<u> --</u>
Total	\$ <u><u>NONE</u></u>	\$ <u><u>NONE</u></u>	<u><u>NONE</u></u>	<u><u>NONE</u></u>

SCHEDULE OF NOTES PAYABLE AMORTIZATION

<u>Fiscal Year</u> <u>Ending:</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ <u>NONE</u>	\$ <u>NONE</u>
2004	<u> </u>	<u> </u>
2005	<u> </u>	<u> </u>
2006	<u> </u>	<u> </u>
2007	<u> </u>	<u> </u>
2008-2012	<u> </u>	<u> </u>
2013-2017	<u> </u>	<u> </u>
2018-2022	<u> </u>	<u> </u>
2023-2027	<u> </u>	<u> </u>
Total	\$ <u>NONE</u>	\$ <u>NONE</u>

SCHEDULE OF BONDS PAYABLE AMORTIZATION

<u>Fiscal Year</u> <u>Ending:</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ <u>480,000</u>	\$ <u>215,565</u>
2004	<u>510,000</u>	<u>192,285</u>
2005	<u>540,000</u>	<u>166,530</u>
2006	<u>570,000</u>	<u>138,180</u>
2007	<u>605,000</u>	<u>107,115</u>
2008-2012	<u>1,325,000</u>	<u>111,278</u>
2013-2017	<u></u>	<u></u>
2018-2022	<u></u>	<u></u>
2023-2027	<u></u>	<u></u>
 Total	 \$ <u><u>4,030,000.00</u></u>	 \$ <u><u>930,953</u></u>